

**INGHAM INTERMEDIATE SCHOOL DISTRICT**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2006**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Ingham Intermediate School District  
Mason, Michigan

September 15, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ingham Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District as of June 30, 2006, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education  
Ingham Intermediate School District

September 15, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006, on our consideration of Ingham Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ingham Intermediate School District's basic financial statements. The additional information on pages 25 through 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Ingham Intermediate School District's (ISD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

### FINANCIAL HIGHLIGHTS

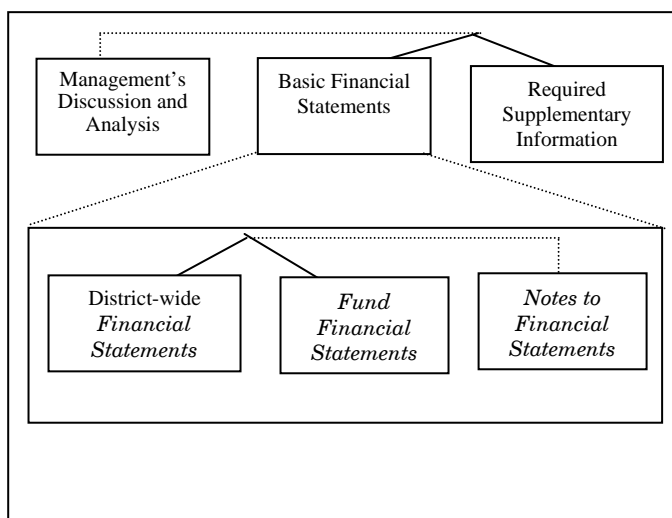
- The overall condition of all funds and governmental activities remains strong for the School District.
- Total **General fund** revenues were \$9.6 million dollars. Revenues for the 2005-06 year decreased by 1% and expenditures decreased 1% from the previous year amounts. The decreases were as a result of grant revenue and expenditure reductions.
- Total **Special Education fund** revenues were \$66.6 million dollars. Revenues for the 2005-06 year increased 4% from the previous year and expenditures also increased 4% from the same period.
- Total **Career Services and Technical** education fund revenues were \$10.0 million dollars. Revenues for the 2005-06 year increased 4% from the previous year while expenditures increased 10% from the same period.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships which the District acts solely as the trustee or agent for the benefit of others.

**Figure A-1**  
**Organization of Ingham Intermediate**  
**School District's Annual Financial**  
**Report**



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2</b> <b>Major Features of District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not fiduciary: General, Special Education, Career Services and Technical Education, and Capital Projects	Instances in which the district administers resources on behalf of someone else, such as professional organizations and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Ingham ISDs funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The district-wide financial statements reflect the District's governmental activities.

*Governmental activities* - Most of the District's basic services are included here, such as general education, special education, career services and technical education. Property taxes, state aid, grants, and user fees finance most of these activities.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are the accounting method used by the District to keep track of specific sources of funding and spending on particular programs:

- State law requires some funds.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** - Ingham Intermediate School District's (ISD) combined net assets on June 30, 2006 were \$12,745,205. This was an decrease from the year before, when the combined net assets were \$12,883,523.

<b>Table A-3</b>		
<b>Ingham Intermediate School District</b>		
	2006	2005
Current or other assets	21,959,913	\$ 22,671,047
Capital assets	8,057,218	8,033,087
Total assets	30,017,131	30,704,134
Long-term debt outstanding	3,435,491	3,825,014
Other liabilities	13,836,435	13,995,597
Total liabilities	17,271,926	17,820,611
Net assets		
Invested in capital assets, net of related debt	7,775,827	7,781,787
Unrestricted	4,969,378	5,101,736
Total net assets	\$ 12,745,205	\$ 12,883,523

<b>Table A-4</b>		
<b>Changes in Ingham Intermediate School District's Net Assets</b>		
	2006	2005
Revenues		
Program revenues		
Charges for services	\$ 4,480,125	\$ 4,288,383
Federal and state categorical grants	15,077,489	14,875,919
General revenues		
Property taxes	47,061,522	45,110,230
State aid - unrestricted	15,356,297	15,962,526
Grants and contributions -		
unrestricted to specific programs	2,323,248	1,980,656
Investment earnings	1,085,112	550,419
Other	91,890	242,242
Total revenues	85,475,683	83,010,375
Expenses		
Instruction	10,794,477	10,581,951
Support services	33,752,021	33,474,234
Community services	951,941	953,008
Outgoing transfers and other	39,573,654	36,892,523
Interest on long-term debt	102,577	126,997
Unallocated depreciation	439,331	438,943
Total expenses	85,614,001	82,467,656
Increase (decrease) in net assets	\$ (138,318)	\$ 542,719

## **District Governmental Activities**

The following factors have positively influenced Ingham ISD's strong financial status.

- Stable growth of property tax revenue, which is a major source of revenue for the general, special education, and career services and technical education funds.
- Reductions in grant expenditures made in recent years in response to declines in grant revenue sources in two of the major governmental funds.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The strong financial position of the Ingham ISD as a whole reflected in the district-wide statements noted above, is also reflected in the governmental funds. As Ingham ISD completed the year, its governmental funds reported *combined* fund balances of \$8,574,158, which is \$378,696 less than last year's combined ending fund balance of \$8,952,854.

Two major governmental funds, the General Education fund and the Career Services and Technical Education fund, had expenditures and other financing uses greater than revenues and other financing sources, which resulted in fund balance reductions of \$242,116 and \$288,484, respectively. The third major governmental fund, the Special Education Fund, had revenues equal to expenses. This is by design, since after the maintenance of a \$500,000 fund balance, available revenues in the Special Education fund are paid as outgoing transfers to constituent districts as reimbursement toward special education costs incurred in the districts. The Capital Projects fund, a non-major governmental fund, had incoming transfers in excess of expenditures which contributed to a \$151,904 increase in fund balance at year end.

During 2005-06, the original Ingham ISD budget was amended twice.

### **General Fund Budgetary Highlights**

The General Education fund ended the 2005-06 fiscal year with a fund balance of \$2,565,722, which was a \$143,193 improvement over the budgeted ending fund balance. Total revenue of \$9.587 million was less than total expense of \$9.829 million, resulting in a \$242,116 reduction in fund balance for the year.

- Actual operational revenue was \$34,457 more than budgeted, which is less than a 0.4% budget variance.
- Actual operational expenses were \$108,736, or 1% less than budgeted
- Grant revenues and expenses had budget variances of \$45,031, which was due primarily to a variance in the timing of expenditures for multi-year grants.

### **Special Education Fund Budgetary Highlights**

The Special Education fund ended the 2005-06 fiscal year with a fund balance of \$500,000. Total expenses were equal to total revenue, as budgeted, in order to maintain the planned \$500,000 fund balance. Total revenue of \$66.604 million equaled total expense of \$66.604 million.

- The positive budget variance for operational revenue was \$520,645, which is a budget variance of 1%.
- Special Education operational expenditures had a 1% negative budget variance due to the overall increase in outgoing transfers to districts based on the increased revenues available.
- Grant revenues and expenses had budget variances of \$18,436 or 0.2%, which was primarily due to the timing of expenditures for multi-year grants.

## Career Services and Technical Education Budgetary Highlights

The Career Services and Technical Education fund ended the 2005-06 fiscal year with a fund balance of \$4,400,113, which is an improvement of \$233,321 over the budgeted ending fund balance. Total revenue of \$9.996 million was less than total expense of \$10.284 million, resulting in a decrease in fund balance of \$288,484.

- Actual operational revenue was \$73,264 more than budgeted, which represents a budget variance of 1%.
- Operational expenses were \$160,057 less than budgeted, or a 2% positive budget variance.
- Grant revenues and expenses had budget variances of \$10,258, which was primarily due to a variance in the timing of expenditures for multi-year grants.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006 the District had a net investment of \$8.057 million in a broad range of capital assets, including school buildings, computer equipment and administrative offices (see Table A-5). This amount is net of accumulated depreciation of \$9.418 million. Depreciation expense for the year was \$439,331.

<b>Table A-5</b>		
<b>Ingham Intermediate School District's Capital Assets</b>		
<i>(net of depreciation)</i>		
	<b>2006</b>	<b>2005</b>
Land	\$ 373,292	\$ 373,292
Land improvements	601,883	659,884
Buildings and additions	6,213,238	6,115,758
Furniture and equipment	868,805	884,153
Total	<u>\$ 8,057,218</u>	<u>\$ 8,033,087</u>

The District's fiscal year 2006-07 budgets anticipate total capital asset expenditure from the three major governmental funds of \$772,936, primarily for the purchase of equipment, technology and building improvements. See Note 4 for more detail.

### Long-term Debt

At year-end the District had \$3.78 million in limited obligation bonds and other long term debt outstanding, which was less than the amount outstanding at the end of fiscal year 2004-05. The District repaid \$230,599 in principal during fiscal year 2005-06. See Note 5 for more detail.

## **FACTORS BEARING ON INGHAM ISD'S FUTURE**

Ingham ISD's current financial position and future financial outlook is strong. Property taxes are a significant source of revenue for the three major governmental funds and provide a stable, and historically increasing, revenue source. While certain state aid categoricals and grants received by the District over the previous three years have decreased, related expenditure reductions have been made. Additionally, existing fund balances in the General Education fund and Career Services and Technical Education fund are earmarked to offset budgeted expenses in excess of 2006-07 revenues.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Ingham Intermediate School District, 2630 W. Howell Road, Mason, MI 48854.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

		<b>Governmental activities</b>
	<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>		
Cash on hand and in bank		\$ 3,069,243
Investments		12,355,867
Accrued interest receivable		21,613
Accounts receivable		1,127,274
State aid receivable		2,889,255
Due from funding agencies - grants		2,015,657
Property taxes receivable		302,272
Prepaid expenses and deposits		178,732
<b>TOTAL CURRENT ASSETS</b>		<b>21,959,913</b>
<b>NONCURRENT ASSETS:</b>		
Capital assets		17,475,185
Less accumulated depreciation		(9,417,967)
<b>TOTAL NONCURRENT ASSETS</b>		<b>8,057,218</b>
<b>TOTAL ASSETS</b>		<b>\$ 30,017,131</b>

		<b>Governmental activities</b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Checks written against future deposits		\$ 1,073,090
Accounts payable		1,106,226
Accrued interest		395,403
Accrued salaries and related items		2,833,673
Due to local school districts		4,422,751
Deferred revenue		1,483,078
Reserve for school based health services		2,180,691
Current portion of long-term obligations		341,523
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,836,435</b>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long-term obligations		2,571,491
Noncurrent portion of compensated absences and termination benefits		864,000
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>3,435,491</b>
<b>TOTAL LIABILITIES</b>		<b>17,271,926</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		7,775,827
Unrestricted		4,969,378
		12,745,205
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 30,017,131</b>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 10,794,477	\$ 2,873,537	\$ 688,616	\$ (7,232,324)
Support services	33,752,021	1,606,588	1,488,996	(30,656,437)
Community services	951,941		950,481	(1,460)
Outgoing transfers and other	39,573,654		11,845,446	(27,728,208)
Interest on long-term debt	102,577		103,950	1,373
Unallocated depreciation	439,331			(439,331)
Total governmental activities	<u>\$ 85,614,001</u>	<u>\$ 4,480,125</u>	<u>\$ 15,077,489</u>	(66,056,387)
General revenues:				
Property taxes, levied for general purposes				1,591,262
Property taxes, levied for special education				37,855,562
Property taxes, levied for career services and technical education				7,614,698
Investment earnings				1,085,112
State sources				15,356,297
Grants and contributions not restricted to specific programs				2,323,248
Other				91,890
Total general revenues				<u>65,918,069</u>
<b>CHANGES IN NET ASSETS</b>				(138,318)
<b>NET ASSETS, beginning of year</b>				<u>12,883,523</u>
<b>NET ASSETS, end of year</b>				<u>\$ 12,745,205</u>

See notes to financial statements.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

		Special revenue		Other	
	General fund	Special education fund	Career services and technical education fund	nonmajor governmental funds	Total governmental funds
<b>ASSETS</b>					
Cash on hand and in bank	\$ 74,906	\$ 2,357,558	\$ 183,884	\$ 452,895	\$ 3,069,243
Investments	3,769,872	2,955,552	4,956,357	674,086	12,355,867
Accrued interest receivable	4,409	10,072	6,125	1,007	21,613
Accounts receivable	319,421	795,041	12,812		1,127,274
State aid receivable	375,426	2,445,033	68,796		2,889,255
Due from funding agencies	103,727	1,542,476	369,454		2,015,657
Property taxes receivable	11,097	263,910	27,265		302,272
Prepaid expenses and deposits	43,393	1,592	133,747		178,732
<b>TOTAL ASSETS</b>	<b>\$ 4,702,251</b>	<b>\$ 10,371,234</b>	<b>\$ 5,758,440</b>	<b>\$ 1,127,988</b>	<b>\$ 21,959,913</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Checks written against future deposits	\$ 681,337	\$	\$ 391,753	\$	\$ 1,073,090
Accounts payable	305,249	697,770	83,542	19,665	1,106,226
Accrued salaries and related items	279,381	1,883,279	671,013		2,833,673
Due to local school districts	2,000	4,340,168	80,583		4,422,751
Deferred revenue	868,562	769,326	131,436		1,769,324
Reserve for School Based Health Services		2,180,691			2,180,691
<b>TOTAL LIABILITIES</b>	<b>2,136,529</b>	<b>9,871,234</b>	<b>1,358,327</b>	<b>19,665</b>	<b>13,385,755</b>

		Special revenue		Other	
	General fund	Special education fund	Career services and technical education fund	nonmajor governmental funds	Total governmental funds
<b>FUND BALANCES:</b>					
Reserved for:					
Prepaid expenses and deposits	\$ 43,393	\$ 1,592	\$ 133,747	\$	\$ 178,732
Unreserved:					
Designated for subsequent year's expenditures	509,220		731,984		1,241,204
Undesignated	2,013,109	498,408	3,534,382	1,108,323	7,154,222
<b>TOTAL FUND BALANCES</b>	<b>2,565,722</b>	<b>500,000</b>	<b>4,400,113</b>	<b>1,108,323</b>	<b>8,574,158</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,702,251</b>	<b>\$ 10,371,234</b>	<b>\$ 5,758,440</b>	<b>\$ 1,127,988</b>	<b>\$ 21,959,913</b>

### Total Governmental Fund Balances

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is

Accumulated depreciation is

\$ 17,475,185  
(9,417,967)

8,057,218

Deferred revenue expected to be collected after September 1, 2006

286,246

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable

(2,813,014)

### Compensated absences and termination benefits

(964,000)

Accrued interest is not included as a liability in government funds, it is recorded when paid

(395,403)

**Net assets of governmental activities**

\$ 12,745,205

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>Special revenue funds</u>				
			Career services and technical education fund	Other nonmajor governmental funds	Total governmental funds
	<u>General fund</u>	<u>Special education fund</u>			
<b>REVENUES AND OTHER FINANCING SOURCES:</b>					
Local:					
Property taxes	\$ 1,573,554	\$ 37,433,969	\$ 7,552,879	\$	\$ 46,560,402
Other	730,961	2,706,293	365,893	33,357	3,836,504
Total local sources	2,304,515	40,140,262	7,918,772	33,357	50,396,906
State sources	2,341,527	13,673,335	378,171	334,549	16,727,582
Federal sources		865,960			865,960
Incoming transfers and other transactions	3,134,547	817,699	156,047	452,300	4,560,593
	7,780,589	55,497,256	8,452,990	820,206	72,551,041
Grants	1,806,429	11,106,650	1,543,046		14,456,125
Total revenues and other financing sources	9,587,018	66,603,906	9,996,036	820,206	87,007,166
<b>EXPENDITURES AND OTHER FINANCING USES:</b>					
Instructional programs	2,917,867	4,534,369	3,239,177		10,691,413
Support services	3,942,976	23,785,905	4,463,085		32,191,966
Outgoing transfers and other	1,161,862	27,176,982	1,039,212	668,302	30,046,358
	8,022,705	55,497,256	8,741,474	668,302	72,929,737
Grants	1,806,429	11,106,650	1,543,046		14,456,125
Total expenditures and other financing uses	9,829,134	66,603,906	10,284,520	668,302	87,385,862
<b>NET CHANGE IN FUND BALANCES</b>	(242,116)		(288,484)	151,904	(378,696)
<b>FUND BALANCES:</b>					
Beginning of year	2,807,838	500,000	4,688,597	956,419	8,952,854
End of year	<u>\$ 2,565,722</u>	<u>\$ 500,000</u>	<u>\$ 4,400,113</u>	<u>\$ 1,108,323</u>	<u>\$ 8,574,158</u>

See notes to financial statements.



**INGHAM INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

<b>Net change in fund balances total governmental funds</b>	<b>\$ (378,696)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(439,331)
Capital outlay	477,942
Loss on disposal of fixed assets	604
Proceeds from sale of fixed assets	(15,084)

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	396,776
Accrued interest payable, end of the year	(395,403)

Repayments of principal on long-term debt is an expenditure in the governmental funds,  
but not in the statement of activities (where it is a reduction of liabilities)

230,599

Revenue is recorded on the accrual method in the statement of activities; in the  
governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(449,971)
Deferred revenue, end of the year	286,246

Compensated absences are reported on the accrual method in the statement of activities,  
and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated absences and termination benefits, beginning of the year	1,112,000
Compensated absences and termination benefits, end of the year	<u>(964,000)</u>

<b>Change in net assets of governmental activities</b>	<b><u><u>\$ (138,318)</u></u></b>
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**INGHAM INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2006**

**ASSETS**

**ASSETS:**

Cash on hand and in bank	\$ 40,024
Accounts receivable	<u>181</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 40,205</u></b>

**LIABILITIES**

**LIABILITIES:**

Accounts payable	\$ 2,569
Due to student and other groups	<u>37,636</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 40,205</u></b>

## INGHAM INTERMEDIATE SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Ingham Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **A. Reporting Entity**

The Ingham Intermediate School District (the "District") is governed by the Ingham Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and proprietary funds, the latter are also included in government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Special revenue funds:

The *special education fund* accounts for revenue sources that are legally restricted to expenditures for special education.

The *career services and technical education fund* accounts for revenue sources that are legally restricted to expenditures for career services and technical education.

**Other Non-major Funds**

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Categorical Revenue**

The District receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills levied *	T.E.V (billions)
General fund		
General education	0.1895	8.4
Special revenue funds:		
Special education	4.5081	8.4
Career services and technical education fund	1.2935	5.9

\* Levied mills are net of Headlee rollback.

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

5. Capital assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.



**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special education, career services and technical education funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special education and career services and technical education funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2006, the District had the following investments.

<b>Investment Type</b>	<b>Cost</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
Commercial paper	<u>\$ 12,355,867</u>	0.0430	A1	<u>100%</u>
Portfolio weighted average maturity		<u>0.0430</u>		

1 day maturity equals 0.0027, one year equals 1.00, .043 equals approximately 16 days.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$2,455,177 of the District's bank balance of \$2,852,119 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all deposits is \$3,109,267.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

**Concentration of credit risk - investments.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$40,024	\$ 3,109,267
Investments	<u>12,355,867</u>
	<u><u>\$ 15,465,134</u></u>

The above amounts are reported in the financial statements as follows:

Cash - Fiduciary fund	\$ 40,024
Cash - District wide	3,069,243
Investments - District wide	<u>12,355,867</u>
	<u><u>\$ 15,465,134</u></u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Assets not being depreciated - land	\$ 373,292	\$	\$	\$ 373,292
Other capital assets:				
Land improvements	1,288,910			1,288,910
Buildings and additions	13,575,129	348,942		13,924,071
Equipment	1,820,132	129,000	60,220	1,888,912
Subtotal	16,684,171	477,942	60,220	17,101,893
Accumulated depreciation				
Land improvements	629,026	58,001		687,027
Buildings and additions	7,459,371	251,462		7,710,833
Equipment	935,979	129,868	45,740	1,020,107
Subtotal	9,024,376	439,331	45,740	9,417,967
Net capital assets	\$ 8,033,087	\$ 38,611	\$ 14,480	\$ 8,057,218

Depreciation for the fiscal year ended June 30, 2006 amounted to \$439,331. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - LONG-TERM DEBT**

The District issues general and limited obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term debt currently outstanding is as follows:

1998 limited obligation bonds (Durant) with annual installments of \$241,522 to \$1,113,493 through May 1, 2013 plus interest at 4.76%. Certain future state aid payments have been pledged as security.	\$ 2,813,014
Termination benefits:	
Retirement payments	964,000
	\$ 3,777,014

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Concluded)**

The annual payments to amortize the limited obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 241,523	\$ 92,970	\$ 334,493
2008	1,113,493	465,252	1,578,745
2009	265,136	69,421	334,557
2010	277,748	56,796	334,544
2011	290,977	43,572	334,549
2012 - 2013	624,137	44,921	669,058
	<u>\$ 2,813,014</u>	<u>\$ 772,932</u>	<u>\$ 3,585,946</u>

The following is a summary of the changes in liabilities reported in the general long-term debt account group.

	Limited obligation bond (Durant)	Termination benefits	Total
Balance, June 30, 2005	\$ 3,043,613	\$ 1,112,000	\$ 4,155,613
Additions			
Deletions	(230,599)	(148,000)	(378,599)
Balance, June 30, 2006	2,813,014	964,000	3,777,014
Less current portion	(241,523)	(100,000)	(341,523)
Total due after one year	<u>\$ 2,571,491</u>	<u>\$ 864,000</u>	<u>\$ 3,435,491</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - GRANTS**

The District receives numerous grants in furtherance of its educational purposes. Sources of grants for the year ended June 30, 2006 are as follows:

Source	General Education	Special Education	Career Services and Technical Education	Total
Local	\$ 1,121,388	\$ 10,671	\$ 541,134	\$ 1,673,193
State	464,817		24,360	489,177
Federal	220,224	11,095,979	977,552	12,293,755
Totals	<u>\$ 1,806,429</u>	<u>\$ 11,106,650</u>	<u>\$ 1,543,046</u>	<u>\$ 14,456,125</u>

Local sources include local governments, private industries and foundations.

**NOTE 7 - TRANSFERS**

The general fund, special education fund and the career services and technical education fund each transferred \$50,000, \$102,300 and \$300,000 respectively to the capital projects fund for future capital projects.

For the year ended June 30, 2006, the career services and technical education fund made a one-time transfer of \$544,015 to the special education fund. The purpose of this transfer was to correct prior year allocations of utility charges between these two funds.

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 14.87% of payroll through September 30, 2005, and 16.34% effective for October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$3,349,000, \$2,970,000 and \$2,600,000, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**INGHAM INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>				
Local sources	\$ 2,097,231	\$ 2,296,579	\$ 2,304,515	\$ 7,936
State sources	2,124,579	2,336,517	2,341,527	5,010
Incoming transfers and other transactions	2,613,004	3,113,036	3,134,547	21,511
	6,834,814	7,746,132	7,780,589	34,457
Grants	1,660,470	1,851,460	1,806,429	(45,031)
Total revenues and other financing sources	8,495,284	9,597,592	9,587,018	(10,574)
<b>EXPENDITURES AND OTHER FINANCING USES:</b>				
Instructional programs	2,297,372	2,913,323	2,917,867	(4,544)
Support services	4,101,062	4,035,012	3,942,976	92,036
Outgoing transfer and other	973,883	1,183,106	1,161,862	21,244
	7,372,317	8,131,441	8,022,705	108,736
Grants	1,660,470	1,851,460	1,806,429	45,031
Total expenditures and other financing uses	9,032,787	9,982,901	9,829,134	153,767
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (537,503)</b>	<b>\$ (385,309)</b>	<b>(242,116)</b>	<b>\$ 143,193</b>
<b>FUND BALANCE:</b>				
Beginning of year			2,807,838	
End of year			<u>\$ 2,565,722</u>	

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>				
Local sources	\$ 39,070,086	\$ 39,601,412	\$ 40,140,262	\$ 538,850
State sources	14,102,503	13,684,212	13,673,335	(10,877)
Federal sources	337,737	868,570	865,960	(2,610)
Incoming transfers and other transactions	335,395	822,417	817,699	(4,718)
	53,845,721	54,976,611	55,497,256	520,645
Grants	10,926,571	11,125,086	11,106,650	(18,436)
Total revenues and other financing sources	64,772,292	66,101,697	66,603,906	502,209
<b>EXPENDITURES AND OTHER FINANCING USES:</b>				
Instructional programs	6,462,928	4,540,414	4,534,369	6,045
Support services	25,216,135	24,138,780	23,785,905	352,875
Outgoing transfers and other	22,166,658	26,297,417	27,176,982	(879,565)
	53,845,721	54,976,611	55,497,256	(520,645)
Grants	10,926,571	11,125,086	11,106,650	18,436
Total expenditures and other financing uses	64,772,292	66,101,697	66,603,906	(502,209)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
<b>FUND BALANCE:</b>				
Beginning of year			500,000	
End of year			\$ 500,000	

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
CAREER SERVICES AND TECHNICAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2006**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>				
Local sources	\$ 7,648,001	\$ 7,850,834	\$ 7,918,772	\$ 67,938
State sources	278,527	371,189	378,171	6,982
Incoming transfers and other transactions	175,603	157,703	156,047	(1,656)
	8,102,131	8,379,726	8,452,990	73,264
Grants	1,576,036	1,553,304	1,543,046	(10,258)
Total revenues and other financing sources	9,678,167	9,933,030	9,996,036	63,006
<b>EXPENDITURES AND OTHER FINANCING USES:</b>				
Instructional programs	3,185,760	3,349,985	3,239,177	110,808
Support services	4,671,777	4,535,331	4,463,085	72,246
Outgoing transfers and other	812,300	1,016,215	1,039,212	(22,997)
	8,669,837	8,901,531	8,741,474	160,057
Grants	1,576,036	1,553,304	1,543,046	10,258
Total expenditures and other financing uses	10,245,873	10,454,835	10,284,520	170,315
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (567,706)</b>	<b>\$ (521,805)</b>	<b>(288,484)</b>	<b>\$ 233,321</b>
<b>FUND BALANCE:</b>				
Beginning of year			4,688,597	
End of year			\$ 4,400,113	

## **ADDITIONAL INFORMATION**

	2005	Non-plaintiff	Total
ASSETS	Capital projects	Durant	nonmajor
		debt service	governmental
			funds
	\$ 452,895	\$	\$ 452,895
	674,086		674,086
	1,007		1,007
	<u>\$ 1,127,988</u>	<u>\$</u>	<u>\$ 1,127,988</u>
AND FUND BALANCES			
	\$ 19,665	\$	\$ 19,665
	<u>1,108,323</u>	<u></u>	<u>1,108,323</u>
FD FUND BALANCES	<u>\$ 1,127,988</u>	<u>\$</u>	<u>\$ 1,127,988</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPE  
YEAR ENDED JUNE 30, 2006**

	<b>2005 Capital projects</b>	<b>Non-plaintiff Durant debt service</b>	<b>Total nonmajor governmental funds</b>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>			
Local:			
Investment income	\$ 33,357	\$	\$ 33,357
State		334,549	334,549
Incoming transfers and other transactions	452,300		452,300
	<hr/>	<hr/>	<hr/>
Total revenues and other financing sources	485,657	334,549	820,206
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Capital outlay	333,753		333,753
Redemption of bonds		230,599	230,599
Interest on bonds		103,950	103,950
	<hr/>	<hr/>	<hr/>
Total expenditures	333,753	334,549	668,302
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	151,904		151,904
	<hr/>		<hr/>
<b>FUND BALANCE:</b>			
Beginning of year	956,419		956,419
	<hr/>	<hr/>	<hr/>
End of year	\$ 1,108,323	\$	\$ 1,108,323
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
TAX SUMMARY - 2004 LEVY  
YEAR ENDED JUNE 30, 2006**

	<b>2005 Taxes levied - net of TV changes through 06/30/06</b>	<b>Taxes collected</b>	<b>Balance due 06/30/06</b>
General education fund:			
Ingham County	\$ 1,319,503	\$ 1,316,338	\$ 3,165
Eaton County	148,395	148,101	294
Clinton County	65,701	65,605	96
Livingston County	18,063	18,040	23
Jackson County	17,020	17,014	6
Washtenaw County	3,707	3,706	1
Shiawassee County	1,164	1,167	(3)
	<hr/>	<hr/>	<hr/>
Total general education fund	1,573,553	1,569,971	3,582
	<hr/>	<hr/>	<hr/>
Special revenue funds:			
Special education fund:			
Ingham County	31,390,264	31,315,089	75,175
Eaton County	3,530,234	3,523,255	6,979
Clinton County	1,563,001	1,560,717	2,284
Livingston County	429,704	429,151	553
Jackson County	404,885	404,744	141
Washtenaw County	88,196	88,184	12
Shiawassee County	27,685	27,766	(81)
	<hr/>	<hr/>	<hr/>
Total special education fund	37,433,969	37,348,906	85,063
	<hr/>	<hr/>	<hr/>
Career services and technical education fund:			
Ingham County	6,082,649	6,067,737	14,912
Eaton County	933,550	931,722	1,828
Clinton County	263,964	264,242	(278)
Livingston County	123,294	123,136	158
Jackson County	116,173	116,133	40
Washtenaw County	25,306	25,303	3
Shiawassee County	7,944	7,967	(23)
	<hr/>	<hr/>	<hr/>
Total career services and technical education fund	7,552,880	7,536,240	16,640
	<hr/>	<hr/>	<hr/>
Total special revenue funds	44,986,849	44,885,146	101,703
	<hr/>	<hr/>	<hr/>
<b>TOTAL ALL FUNDS</b>	<u><u>\$ 46,560,402</u></u>	<u><u>\$ 46,455,117</u></u>	<u><u>\$ 105,285</u></u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
TAX SUMMARY - 2004 LEVY  
YEAR ENDED JUNE 30, 2006**

	<b>2005 Taxes levied - net of TV changes through 06/30/06</b>	<b>Taxes collected</b>	<b>Balance due 06/30/06</b>
Combined (all funds):			
Ingham County	\$ 38,792,416	\$ 38,699,164	\$ 93,252
Eaton County	4,612,179	4,603,078	9,101
Clinton County	1,892,666	1,890,564	2,102
Livingston County	571,061	570,327	734
Jackson County	538,078	537,891	187
Washtenaw County	117,209	117,193	16
Shiawassee County	36,793	36,900	(107)
	<u>\$ 46,560,402</u>	<u>\$ 46,455,117</u>	<u>105,285</u>
Prior years:			
Uncollected, beginning of year			376,575
Collections/SEV changes/write-offs			<u>(179,588)</u>
Uncollected, end of year			<u>196,987</u>
Total taxes receivable			<u><u>\$ 302,272</u></u>



**INGHAM INTERMEDIATE SCHOOL DISTRICT**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2006**

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Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
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James R. Dedyne

Timothy H. Adams  
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Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Ingham Intermediate School District  
Mason, Michigan

September 15, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District as of and for the year ended June 30, 2006, which collectively comprise Ingham Intermediate School District's basic financial statements and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ingham Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Education  
Ingham Intermediate School District

September 15, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ingham Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ingham Intermediate School District in a separate letter dated September 15, 2006.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costeniser & Ellis, P.C.*

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Ingham Intermediate School District  
Mason, Michigan

September 15, 2006

Compliance

We have audited the compliance of Ingham Intermediate School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Ingham Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Ingham Intermediate School District's management. Our responsibility is to express an opinion on Ingham Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ingham Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ingham Intermediate School District's compliance with those requirements.

To the Board of Education  
Ingham Intermediate School District  
Mason, Michigan

September 15, 2006

In our opinion, Ingham Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Ingham Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ingham Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ingham Intermediate School District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole that collectively comprise Ingham Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at 7/1/2005	Prior year (s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at 6/30/2006
<u>U. S. Department of Labor:</u>								
Passed through Capital Area Michigan Works!:								
Workforce Investment Act	17.255							
		4174	\$ 169,818	\$ 32,821	\$ 169,708	\$ 32,821	\$	\$
		4171	66,828	7,408	66,828	7,408		
		5174	194,661			150,001	185,044	35,043
		5171	84,337			70,517	84,337	13,820
			515,644	40,229	236,536	260,747	269,381	48,863
Employment Service	17.207							
		4175ES	363,415	56,882	363,415	56,882		
		4175RES	31,607	7,000	31,607	7,000		
		4175INTERNS	54,750	12,684	52,522	12,684		
		5175ES	378,495			325,018	378,495	53,477
		5175RES	32,647			29,878	32,647	2,769
		5175INTERNS	54,748			44,234	54,748	10,514
			915,662	76,566	447,544	475,696	465,890	66,760
Passed through SVRC Industries:								
MI Connections	17.720	E-9-4-3-0069	9,252			9,252		(9,252)
TOTAL U.S. DEPARTMENT OF LABOR			1,440,558	116,795	684,080	745,695	735,271	106,371
<u>U. S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010	041530-0405	40,039	2,425	2,711	2,425		
		051530-0405	66,255	15	15	9,552	9,537	
		051530-0506	56,703			24,587	35,812	11,225
		061530-0506	17,926				17	17
			180,923	2,440	2,726	36,564	45,366	11,242

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at 7/1/2005	Prior year (s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at 6/30/2006
<u>U. S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education (Continued):								
Title I Grants to Local Educational Agencies (Concluded)	84.013	051700-0405	\$ 82,738	\$ 24,389	\$ 63,610	\$ 43,517	\$ 19,128	\$
		061700-0506	89,088			31,053	33,614	2,561
			171,826	24,389	63,610	74,570	52,742	2,561
Innovative Education Program Strategies	84.298	040250-0405	37,393	33,123	37,393	33,123		
		050250-0405	35,577	3,942	6,711	7,924	3,982	
		05250-0506	27,179			27,179	27,179	
		06250-0506	15,557			4,005	4,440	435
			115,706	37,065	44,104	72,231	35,601	435
Title II, Part D Technology Literacy Challenge	84.318	064250-2	1,000,000			104,515	104,515	
Title II, Part A Professional Development	84.367	050520-0506	702			702	702	
Special Education Cluster:								
Special Ed - IDEA	84.027	040450-0304	7,834,621	200,173	8,322,572	200,173		
		050450-0405	9,590,422	2,779,287	9,212,114	3,033,092	378,308	124,503
		060450-0506	9,863,531			8,389,506	9,720,717	1,331,211
		050490-0405	119,774	20,751	119,744	20,751		
		050480-0405/EOSI	50,000	9,213	50,000	9,213		
		060480-0506	60,000			60,000	60,000	
		050480-0405/TMT	21,194	3,335	21,194	3,335		
		050490-24TS	105,000	28,289		28,289		
		060490-0506	105,000			105,000	105,000	
			27,749,542	3,041,048	17,725,624	11,849,359	10,264,025	1,455,714



**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at 7/1/2005	Prior year (s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at 6/30/2006
<u>U. S. Department of Education (Concluded):</u>								
Passed through Michigan Department of Education (Concluded):								
Special Ed - Preschool	84.173	050460-24 064560-0506	\$ 359,683 352,140	\$ 146,423	\$ 359,286	\$ 149,838 321,453	\$ 3,415 350,072	\$ 28,619
			711,823	146,423	359,286	471,291	353,487	28,619
Special Education - Infants & Toddlers - IDEA Part C	84.181	051340-190 061340-190	430,704 407,956	93,567	396,336	127,935 309,061	34,368 326,610	17,549
			838,660	93,567	396,336	436,996	360,978	17,549
Total Passed through Michigan Department of Education			30,769,182	3,344,932	18,591,686	13,046,228	11,217,416	1,516,120
Passed through Other Agencies:								
START	84.027	220017-354100					19,381	19,381
Teaching Amer. History	84.215X	S215X020247	2,500	3,000	3,000	3,000		
Carl D. Perkins	84.048	053520 7012-14	223,396 212,200	96,236	223,396	96,236 111,268	212,200	100,932
			435,596	96,236	223,396	207,504	212,200	100,932
Perkins - Tech Prep	84.243	871221-0405 85-10000120	23,750 23,778	20,692	28,307	20,692 8,264	30,081	21,817
			47,528	20,692	28,307	28,956	30,081	21,817
Total Passed through Other Agencies			485,624	119,928	254,703	239,460	261,662	142,130
TOTAL U.S. DEPARTMENT OF EDUCATION			31,254,806	3,464,860	18,846,389	13,285,688	11,479,078	1,658,250

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at 7/1/2005	Prior year (s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue at 6/30/2006
<u>National Science Foundation</u>								
Passed through Michigan State University:								
PROM/SE	47.076	EHR0314866	\$ 132,337	\$ 26,152	\$ 113,834	\$ 70,636	\$ 71,828	\$ 27,344
Problem Based Learning	47.076	61-223211	7,000			5,974	7,578	1,604
			<u>139,337</u>	<u>26,152</u>	<u>113,834</u>	<u>76,610</u>	<u>79,406</u>	<u>28,948</u>
<u>Corporation For National And Community Service</u>								
Passed through Eaton Intermediate School District								
Learn & Serve	94.004	02/04	<u>3,176</u>	<u>3,176</u>	<u>3,176</u>	<u>3,176</u>		
<u>U.S. Department of Health and Human Services:</u>								
Passed through State of Michigan:								
Medicaid - Transportation	93.778				188,364	151,826	335,127	183,301
Medicaid - Outreach				(1,699,226)	424,717	288,790	530,833	(1,457,183)
				<u>(1,699,226)</u>	<u>613,081</u>	<u>440,616</u>	<u>865,960</u>	<u>(1,273,882)</u>
TOTAL FEDERAL AWARDS			<u>\$ 32,837,877</u>	<u>\$ 1,911,757</u>	<u>\$20,260,560</u>	<u>\$ 14,551,785</u>	<u>\$ 13,159,715</u>	<u>\$ 519,687</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
PASS-THROUGH AMOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass-through number	Subrecipient award/contract amount	Due to (from) subrecipient 7/1/2005	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients 6/30/2006
<u>PASS-THROUGH GRANTEE</u>								
<u>SPECIAL EDUCATION - IDEA</u>								
Clinton County Regional Education Service Agency	84.027	050480-0405	2H-522	\$ 2,483	\$ 2,483	\$	\$ 2,483	\$
Holt Public Schools	84.027	050450-0405	2H-594	1,242,694	163,122		163,122	
		060450-0506	2H-594	1,286,651		1,272,120	1,206,573	65,547
				2,529,345	163,122	1,272,120	1,369,695	65,547
Lansing School District	84.027	050450-0405	2H-594	7,250,000	1,309,203		1,309,203	
		050450-0405	2H-595	378,308		378,308	253,805	124,503
		060450-0506	2H-594	7,554,426		7,554,426	5,914,232	1,640,194
		040450-0304C	2H-595	595,686	106,463		106,463	
		050490-0405	2H-539	756	756		756	
				15,779,176	1,416,422	7,932,734	7,584,459	1,764,697
Mason Public Schools	84.027	040450-0304	2H-594	365,886	37,454		37,454	
		060450-0506	2H-594	377,896		419,171	370,743	48,428
				743,782	37,454	419,171	408,197	48,428
Waverly Community Schools	84.027	050450-0405	2H-594	475,000	78,397		78,397	
		060450-0506	2H-594	475,000		475,000	397,958	77,042
				950,000	78,397	475,000	476,355	77,042
Total special education - IDEA				20,004,786	1,697,878	10,099,025	9,841,189	1,955,714

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
PASS-THROUGH AMOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass-through number	Subrecipient award/contract amount	Due to (from) subrecipient 7/1/2005	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients 6/30/2006
<u>PASS-THROUGH GRANTEE</u>								
<u>PRESCHOOL - IDEA</u>								
Dansville Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	\$ 2,012	\$ 2,012	\$	\$ 2,012	\$
				1,984		1,984		1,984
				3,996	2,012	1,984	2,012	1,984
East Lansing Public Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	24,145	11,206		11,206	
				21,822		21,822	8,993	12,829
				45,967	11,206	21,822	20,199	12,829
Haslett Public Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	17,103	17,103		17,103	
				15,871		15,871		15,871
				32,974	17,103	15,871	17,103	15,871
Holt Public Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	43,259	11,391		11,391	
				36,205		36,205	29,318	6,887
				79,464	11,391	36,205	40,709	6,887
Lansing School District	84.173	050460-0405 060460-0506	2H-523 2H-523	172,534	18,667		18,667	
				163,666		163,666	140,788	22,878
				336,200	18,667	163,666	159,455	22,878
Leslie Public Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	10,060	10,166		10,166	
				20,830		20,830		20,830
				30,890	10,166	20,830	10,166	20,830

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
PASS-THROUGH AMOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass-through number	Subrecipient award/contract amount	Due to (from) subrecipient 7/1/2005	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients 6/30/2006
<u>PASS-THROUGH GRANTEE (Continued)</u>								
<u>PRESCHOOL - IDEA (Continued)</u>								
Mason Public Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	\$ 19,115	\$ 3,885	\$	\$ 3,885	\$
				17,359		17,359	16,576	783
				36,474	3,885	17,359	20,461	783
New City Academy	84.173	050460-0405	2H-523	1,006	1,006		1,006	
Okemos Public Schools	84.173	060460-0506	2H-523	19,838		19,838	19,838	
Stockbridge Public Schools	84.173	060460-0506	2H-523	2,976		2,976		2,976
Waverly Community Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	21,127	4,215		4,215	
				22,814		22,814	18,605	4,209
				43,941	4,215	22,814	22,820	4,209
Webberville Community Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	3,018	3,018		3,018	
				3,968		3,968		3,968
				6,986	3,018	3,968	3,018	3,968
Williamston Community Schools	84.173	050460-0405 060460-0506	2H-523 2H-523	12,072	4,981		4,981	
				13,887		13,887		13,887
				25,959	4,981	13,887	4,981	13,887
Windemere Park Academy	84.173	050460-0405	2H-523	1,509	1,509		1,509	
Total preschool - IDEA				668,180	89,159	341,220	323,277	107,102

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
PASS-THROUGH AMOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass-through number	Subrecipient award/contract amount	Due to (from) subrecipient 7/1/2005	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients 6/30/2006
<u>PASS-THROUGH GRANTEE</u>								
<u>MEDICAID TRANSPORTATION AND OUTREACH</u>								
Transportation	93.778		22-293	\$	\$	\$ 347,216	\$ 151,826	\$ 195,390
Outreach	93.778				1,699,226	288,790	19,703	
Dansville Schools			22-294				10,713	
East Lansing Public Schools			22-294				36,639	
El Shabazz Academy			22-294				346	
Haslett Public Schools			22-294				26,201	
Holt Public Schools			22-294				61,764	
Lansing School District			22-294				194,211	
Leslie Public Schools			22-294				14,547	
Mason Public Schools			22-294				31,092	
Mid-Michigan Leadership Academy			22-294				1,703	
Okemos Public Schools			22-294				44,826	
Sankofa Shule Pubic School Academy			22-294				63	
Stockbridge Public Schools			22-294				11,757	
Waverly Community Schools			22-294				49,597	
Webberville Community Schools			22-294				6,791	
Williamston Community Schools			22-294				20,880	
Total Medicaid transportation and outreach					1,699,226	636,006	682,659	195,390
TOTAL PASS-THROUGH GRANTEE				\$ 20,672,966	\$ 3,486,263	\$ 11,076,251	\$ 10,847,125	\$ 2,258,206

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activities of Ingham Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and reconciles with the amounts in the preparation of the financial statements.
2. CFDA Programs Special Education Cluster 84.027 and 84.173 and Medicaid 93.778 were audited as major programs representing 87% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$394,791.
4. Expenditures in this schedule have been reconciled with Michigan Department of Education financial reports (DS4044, DS4092A, and other applicable reports).
5. The amounts reported on Report R7120, Grant Section Auditors' Report, reconcile with this schedule.

6. Federal revenue is reported in the following funds in the financial statements:

Total grants:	
General fund	\$ 1,806,429
Special education fund	11,106,650
Career services and technical education	<u>1,543,046</u>
Total grants	14,456,125
Less non-federal grants	
Local	(1,673,193)
State	<u>(489,177)</u>
Total federal grants	12,293,755
Federal revenue per financial statements	<u>865,960</u>
Total federal revenues	<u><u>\$ 13,159,715</u></u>

7. Subrecipients - Of the federal expenditures presented in the schedule of expenditures of federal awards, Ingham Intermediate School District provided federal awards to subrecipients reported in the enclosed schedule of pass through amounts.
8. The expenditures reported for CFDA #93.778 are equal to the revenues received. Revenue continues to be deferred due to the uncertainties that exist resulting from the possible repayments that may have to be made in the future due to the back casting process.

9. Total special education cluster

84.027	\$ 10,264,025
84.173	353,487
84.027	<u>19,381</u>
	<u><u>\$ 10,636,893</u></u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

***Financial Statements***

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster
93.778	Medicaid

Dollar threshold used to distinguish between type A and type B programs:

\$ 394,791

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Findings**

No matters were reported for the year ended June 30, 2006.

**Section III - Federal Award Findings and Questioned Costs**

No findings or questioned costs were noted for the year ended June 30, 2006.



**INGHAM INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

There were no findings for the prior two years.



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

September 15, 2006

To the Board of Education  
Ingham Intermediate School District  
Mason, Michigan

In planning and performing our audit of the financial statements of Ingham Intermediate School District for the year ended June 30, 2006 we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated September 15, 2006, on the financial statements of Ingham Intermediate School District.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the district's current budget procedures are adequate.

#### Cash Management - Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

#### New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles.

To the Board of Education  
Ingham Intermediate School District  
Mason, Michigan

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September 15, 2006

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Ingham Intermediate School District management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mamie Costenaro & Ellis, P.C.*



Lamonte T. Lator  
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Walter P. Maner, Jr. (1921-2004)  
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September 15, 2006

To the Audit Committee  
Ingham Intermediate School District  
Mason, Michigan

We have audited the financial statements of Ingham Intermediate School District for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. Generally Accepted Accounting Standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Ingham Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Ingham Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Ingham Intermediate School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Ingham Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Ingham Intermediate School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ingham Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Ingham Intermediate School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. However, during the year there was a retroactive transfer to adjust for prior year utility charges.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive of these estimates is the calculation compensated absences and termination benefits.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ingham Intermediate School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ingham Intermediate School District, either individually or in the aggregate, indicate matters that could have a significant effect on the Ingham Intermediate School District's financial reporting process. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ingham Intermediate School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the board of education, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mayer, Costeniser & Ellis, P.C.*

To the Audit Committee  
 Ingham Intermediate School District  
 Lansing, Michigan

September 15, 2006

**INGHAM INTERMEDIATE SCHOOL DISTRICT  
 SUMMARY OF AUDIT DIFFERENCES  
 YEAR ENDED JUNE 30, 2006**

	General fund	Special Revenue fund	Career Service and Tech Ed fund	Total
Statement of revenues, expenditures and changes in fund balances:				
Prior year misstatements:				
Deferred revenue overstated - Copier	\$ 14,103	56,407	30,218	\$ 100,728
Current year misstatements:				
Cumulative effect (after effect of prior year differences) over (under) stated	<u>\$ 14,103</u>	<u>\$ 56,407</u>	<u>\$ 30,218</u>	<u>\$ 100,728</u>
	<u>Over (Under) Misstatement</u>			
Balance sheet misstatements:				
Total assets	\$ -	\$ -	\$ -	\$ -
Total liabilities				-
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Beginnng	\$ (14,103)	\$ (56,407)	\$ (30,218)	\$ (100,728)
Cumulative effect (above)	<u>14,103</u>	<u>56,407</u>	<u>30,218</u>	<u>100,728</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>